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## ESTUDIOS

### China-BRI, EU-Indo-Pacific Cooperation and Asia

China-BRI, Cooperación UE-Indo Pacífico y Asia

Pornchai Wisuttisak, Nisit Panthamit and Sang Chul Park

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# China-BRI, EU-Indo-Pacific Cooperation and Asia

## *China-BRI, Cooperación UE-Indo Pacífico y Asia*

Pornchai Wisuttisak

Associate Professor at the Faculty of Law  
Chiang Mai University, Thailand  
pornchai.w@cmu.ac.th

Nisit Panthamit

Associate Professor in the ASEAN Research Center at Faculty of Economics  
Chiang Mai University, Thailand  
nisit.p@cmu.ac.th

Sang Chul Park (corresponding author)

Professor at Graduate School of Knowledge-based Technology and Energy  
Tech University of Korea, Korea  
scpark@tukorea.ac.kr

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**Summary:** I. Introduction.—II. China Belt and Road Initiatives.—III. China-Asia trade and investment cooperation.—IV Indo-Pacific Cooperation.—V. EU-Asia trade and investment cooperation.—VI. Challenges issues on EU-China-Asia. 1. Conflicting international policy between BRI and Indo-Pacific Cooperation. 2. Different styles of assistance. 3. Similarity of objectives but with different security concerns.—VII. Conclusions.

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**Abstract:** The article discusses the increasing roles of Belt and Road Initiatives (BRI) and EU investment policies in Asia development. During the past decades, China has increased their positions of global investment with the strategic plan to facilitate regional and country development in Asia. EU also has a long history of assisting countries in Asia to achieve development. The EU and EU countries involved with investment and assistance projects in Asia countries to raise countries' development levels. With the two sides of the world- China and EU, there are increasing cooperation under a global policy of BRI and the Indo-Pacific cooperation. However, there is also the concern of the worldwide influence from both China and the EU in Asia. The article thus argues that while there is a concern of global influence from investment under BRI policy and EU-Indo Pacific, there are opportunities to bridge those policies to facilitate the developments in Asia. The

article points out some policy implications on global investments for sustainable development within BRI and Indo-Pacific cooperation.

**Keywords:** BRI, Indo-Pacific cooperation, Asia development, China-EU-Asia.

**Resumen:** *El artículo analiza el papel cada vez mayor de las iniciativas Belt and Road (BRI) y las políticas de inversión de la UE en el desarrollo de Asia. Durante las últimas décadas, China ha reforzado su posición como inversor global con el plan estratégico dirigido a facilitar el desarrollo regional y nacional en Asia. La UE también cuenta con una larga trayectoria en ayuda al desarrollo de los países de Asia. La UE y los Estados miembros se han implicado en proyectos de inversión y asistencia en países de Asia para elevar sus niveles de desarrollo. Desde ambos lados del mundo, China y la UE despliegan una cooperación cada vez mayor en el marco de la política global de BRI y la cooperación del Indo-Pacífico. Sin embargo, también existe la inquietud sobre la influencia mundial, tanto de China como de la UE, en Asia. Por lo tanto, el artículo argumenta que si bien existe una preocupación por la influencia global de las inversiones en el contexto de la política BRI y de la cooperación UE Indo-Pacífico, existen oportunidades para unir ambas políticas y promover así el desarrollo en Asia. En este marco, el artículo señala algunas implicaciones políticas sobre las inversiones globales para el desarrollo sostenible dentro de la BRI y la cooperación del Indo-Pacífico.*

**Palabras clave:** BRI, cooperación Indo-Pacífico, desarrollo de Asia, China-UE-Asia.

## I. Introduction

Before economic reform toward a market economy, China kept its global roles at a minimum and maintained its economy at a stagnant level. With the open-door policy during the 1980s, China participated in global trade and investments by aiming to restructure, liberalize and enhance its economic status. Global trade and investment were restructured after the accession of China to the WTO in 2000. From assertion, China has worked toward a crucial economic power<sup>1</sup> During 2000-2018, China became the world's fastest-growing economy, with real annual gross domestic product (GDP) growth averaging 9.5% through 2018<sup>2</sup>. China also transformed the structure of the economy and opened industrialization with rapid infrastructure development. The policy on transformation has made China reach a significant level of development and economic growth.<sup>3</sup> The reform in China during the past 20 years resulted in China's important position in global trade and investments. China position leads to its increasing role as the global facilitator for international trade and investments. China created a policy of the Belt and Road Initiatives (BRI) to ensure that global trade and investment are connected with China's economy. The BRI is increasingly being deployed in Asia. At the same time, the EU, the regional superpower, involves global trade and investments. The EU adopts various international policies for trade, investment, and assistance to ensure that the EU can have a certain degree of global bargaining power.

The EU seems to align its trade and investment to Asia under the scope of Indo-Pacific cooperation. This comes from the distinct approach between China and the EU in international trade and investment in Asia. This article thus aims to study how China and the EU work their way on trade, investments, and assistance to Asia countries with regard to the BRI and Indo-Pacific cooperation. This research article relies on documentary

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<sup>1</sup> Tran Van Hoa, "Impact of the WTO Membership, Regional Economic Integration, and Structural Change on China's Trade and Growth," *Review of Development Economics* 14, no. 3 (2010), <https://doi.org/https://doi.org/10.1111/j.1467-9361.2010.00575.x>, <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-9361.2010.00575.x>; Wance Tacconelli and Neil Wrigley, "Organizational Challenges and Strategic Responses of Retail TNCs in Post-WTO-Entry China," *Economic Geography* 85, no. 1 (2009/01/01 2009), <https://doi.org/10.1111/j.1944-8287.2008.01003.x>, <https://www.tandfonline.com/doi/abs/10.1111/j.1944-8287.2008.01003.x>.

<sup>2</sup> CRS, *China's Economic Rise: History, Trends, Challenges, and Implications for the United States*, Congressional Research Service-CRS (2019).

<sup>3</sup> Xiahui Liu, "Structural changes and economic growth in China over the past 40 years of reform and opening-up," *China Political Economy* 3, no. 1 (2020), <https://doi.org/10.1108/CPE-05-2020-0010>, <https://doi.org/10.1108/CPE-05-2020-0010>.

research on academic and government documents about China-BRI and EU-Indo-Pacific Cooperation. The article also uses comparative research of China-BRI and EU-Indo-Pacific Cooperation's approaches to assisting development in Asia. Certainly, the paper incorporates the authors' ideas and work experiences in China and the EU's investment in South East Asia. It argues that there is increasing concern about conflicts between the Western investment, especially from the EU and Chinese investment. Some research suggests concern about Chinese influence in Asia with the fear that China may have greater power in the political economy in Asia. This article shows that investment from the EU is no less significant in Asia. Therefore, it insists that there must be an alignment of investment or assistance from the EU and China in order to create sustainable development in Asia.

The article will be divided into seven parts. The first part provides an introduction. The second part deals with China's Belt and Road initiatives. The third part presents China's involvement in trade and investments in Asia. The article in the fourth part focuses on the EU and the concept of Indo-Pacific cooperation. The fifth part displays the EU's involvement in trade and investment in Asia. The sixth part expresses challenging issues in trade and investment between China and the EU in Asia. The last part of the article provides the conclusion and policy implications for EU-China and Asia development.

## II. China Belt and Road Initiatives

The policy of Belt and Road Initiatives (BRI) is the China policy to reignite new global cooperation on trade and investment under an increasing role in China's economic power. The aim of the BRI is to ensure that international trade and investments are under more accessible flow under cooperation with China. The BRI has been deployed to global, regional and country levels via outward overseas investments from China to countries needing infrastructure and developments. The BRI policy is an ambitious programme to link Asia and Europe through land and maritime networks linking various economic corridors to improve regional integration and stimulate economic growth.<sup>4</sup> According to President Xi Jinping, the BRI is defined important policy that

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<sup>4</sup> EBRD, "Belt and Road Initiative (BRI)," European Bank of Reconstruction and Development, 2020, <https://www.ebrd.com/what-we-do/belt-and-road/overview.html>. (Accessed February 22, 2022)

*“China will actively promote international cooperation through the Belt and Road Initiative. In doing so, we hope to achieve policy, infrastructure, trade, financial, and people-to-people connectivity and thus build a new platform for international co-operation to create new drivers of shared development”<sup>5</sup>*

The BRI results in the new wave of economic cooperation that China has become the influencer for global cooperation on trade and investment. It is estimated that the China BRI will add over USD 1 trillion of outward funding for foreign infrastructure during 2017-2027.<sup>6</sup> Most of the outward investments from China are from the state-directed development and commercial banks to countries wishing to develop their infrastructures and economy.<sup>7</sup> When the BRI policy was announced in 2013, it revived silk-road trade and investment by connecting overland “belts” across the Eurasian supercontinent.<sup>8</sup> The BRI also reinforced the maritime linkages across the Indian ocean and Europe via the Suez Canal.<sup>9</sup> The BRI is the umbrella of trade, investment, and people policies. In 2015, the China National Development and Reform Commission presented the policies under the BRI, including:<sup>10</sup>

*“Improving intergovernmental communication to better align high-level government policies like economic development strategies and plans for regional cooperation.*

*Strengthening the coordination of infrastructure plans to better connect hard infrastructure networks like transportation systems and power grids.*

<sup>5</sup> Xi Jinping, *Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era*, (2018).

<sup>6</sup> OECD, *China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape* (OECD, 2018), <https://www.oecd.org/finance/Chinas-Belt-and-Road-Initiative-in-the-global-trade-investment-and-finance-landscape.pdf>. (Accessed March 22, 2022)

<sup>7</sup> OECD, *China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape*.

<sup>8</sup> Jonathan Hillman, “How Big Is China’s Belt and Road?,” (2018). <https://www.csis.org/analysis/how-big-chinas-belt-and-road>; Yuan Li and Hans-Jörg Schmeier, “Trade and the New Silk Road: opportunities, challenges, and solutions,” *Journal of Chinese Economic and Business Studies* 15, no. 3 (2017/07/03 2017), <https://doi.org/10.1080/14765284.2017.1347473>.

<sup>9</sup> Hillman, “How Big Is China’s Belt and Road?”

<sup>10</sup> CSIS, “How Will the Belt and Road Initiative Advance China’s Interests?,” (2020). <https://chinapower.csis.org/china-belt-and-road-initiative/>. (Accessed March 22, 2022)

*Encouraging the development of soft infrastructure such as the signing of trade deals, aligning of regulatory standards, and improving financial integration.*

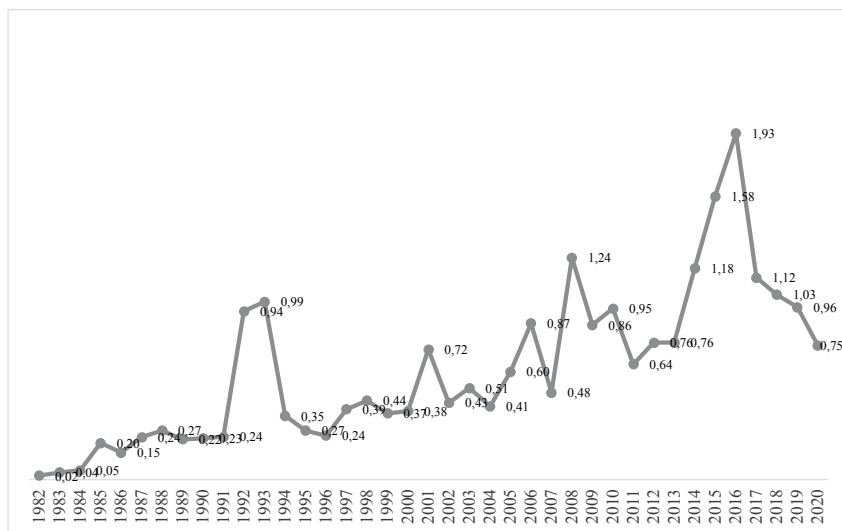
*Bolstering people-to-people connections by cultivating student, expert, and cultural exchanges and tourism”.<sup>11</sup>*

The BRI, upon its implementation, contributed to the number of international cooperation between China and other counterparts. There were 43 agreements on cooperation between China and Asia countries, 40 between China and Africa, 40 between China and Europe, 19 between China and the Americas, and ten between China and Oceania.<sup>12</sup> The adoption of BRI from the central policy of China leads to a new era of global trade and initiatives that were previously dominated by the developed countries from the USA and the EU countries. In Asia, it is the words call “Eastern-Oriental Wind of Changes”. By the BRI, it can be considered that the wind of Eastern Asia is now overcoming the wind from Western developed countries, especially on the global trade and investment cooperation. Within the BRI, China has adopted further cooperation on investment by the Asian Infrastructure Investment Bank (AIIB). The AIIB would be an international financial institution facilitating funds for developments projects in Asia.<sup>13</sup> Nevertheless, it is sure that the BRI with China as the leading role on global cooperation may have to face various criticisms and the fear of China dominating power over international trade and investment. Some regions and countries may feel uncomfortable accepting financial assistance under China's BRI policy. There were local outcries on China's expansion of its trade and investment in countries. It is a challenging task for China to making sure that it can build up mutual understanding of BRI to ensure a sustainable cooperation with countries. (See fig. 1)

<sup>11</sup> CSIS, “How Will the Belt and Road Initiative Advance China's Interests?.”

<sup>12</sup> CSIS, “How Will the Belt and Road Initiative Advance China's Interests?.”

<sup>13</sup> Hong Zhao, “China–Japan Compete for Infrastructure Investment in Southeast Asia: Geopolitical Rivalry or Healthy Competition?,” *Journal of Contemporary China* 28, no. 118 (2019/07/04 2019), <https://doi.org/10.1080/10670564.2018.1557946>, <https://doi.org/10.1080/10670564.2018.1557946>.



**Figure 1**

Foreign direct investment, net outflows (% of GDP) - China

Source: World Bank, 2022, World Bank Open Data.

China BRI has become a vital global policy that facilitates the expansion of China's roles as a global investor and international aid provider particularly in the developing countries. This article highlights that China will play increasing roles as one of the leaders in international development. The BRI will be a matter of choosing which country would be a leader of global political economy. Some regions and countries may feel uncomfortable accepting financial assistance under China's BRI policy due to its high debt trap. There were local outcries on China's expansion of its trade and investment in developing countries particularly in Southeast Asia, South Asia, and Africa.

### III. China-Asia trade and investment cooperation

This part discusses the cases study of BRI and China's roles on trade and investment in Asia. The reason to choose Asia for the cases study is that China has paid more attention to stimulating cooperation and offered significant funds to assist countries in Asia. China has established cooperation agreements with the practical implementation of trade and



investment in Asia. Most of the countries in Asia are the least-developed countries or developing countries, which need external help to build up their country development.

As one of the Asian countries, China has enormously linked particularly with Asian countries on trade and investment cooperation in the world. China succeeds in creating cooperation with ASEAN countries for infrastructure development, trade, and investments. With the number of international agreements between China and ASEAN,<sup>14</sup> the trade and investment flow between the two rapidly increase. The cooperation between China and ASEAN is directed to sharing investment and innovation for regional developments and investment facilitation. An example is the high-speed rails projects. China is eager to innovate high-speed rail technology and its financial loans to ASEAN countries to construct high-speed rail, connecting China and ASEAN. China's projects of high-speed rail development to ASEAN reflect China's economic ascendance in the ASEAN with the broader vision to establish an interregional rail network between China and ASEAN.<sup>15</sup> The Kunming, China- Vientiane Laos high-speed rail link was nearly complete in 2021. The China-Lao High-speed rail project is the forefront movement of BRI implementation from China to ASEAN countries. The rail project is worth US\$6 billion under a series of primarily Chinese-financed infrastructure projects. It is expected that the project can be extended to promote ASEAN connectivity by connecting railways with Thailand, Malaysia and Singapore. The investment in the China- Laos high-speed rail impacts locals who have to be moved out from their places to facilitate the rail project's construction.<sup>16</sup>

The Laos government has to bear the huge sunk cost of the rail infrastructures and pay the high-interest loan to the Chinese government.<sup>17</sup> However, the rail project is expected to give positive opportunities for Lao with ASEAN connectivity. The project also generates the logistic benefit with the enhancement of trade and investment between China -Laos and

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<sup>14</sup> MOFCOM, "China-ASEAN FTA," (2020). The Ministry of Commerce of the People's Republic of China (MOFCOM).

<sup>15</sup> Yu Hong, "China's Eagerness to Export Its High-speed Rail Expertise to ASEAN Members," *The Copenhagen Journal of Asian Studies* 32, no. 2 (2014), <https://rauli.cbs.dk/index.php/cjas/article/view/4756>.

<sup>16</sup> Simon Rowedder, "Railroading land-linked Laos: China's regional profits, Laos' domestic costs?," *Eurasian Geography and Economics* 61, no. 2 (2020/03/03 2020), <https://doi.org/10.1080/15387216.2019.1704813>, <https://doi.org/10.1080/15387216.2019.1704813>.

<sup>17</sup> Rowedder, "Railroading land-linked Laos: China's regional profits, Laos' domestic costs?."

ASEAN.<sup>18</sup> Nevertheless, the concern from the rail project is whether the project will lead to the geopolitical influence from China in Laos or the project is the real help from powerful country to alleviate financial burdens and technological development to small country. By accepting the help from powerful country, the small will be able to enhance their country development in long run but in the same time the small may have to abide by the powerful country.

In addition, in cooperating with ASEAN, China plans to export technology and innovation for infrastructure developments. Various telecoms, transportation, and energy projects are under negotiation between China and ASEAN countries. China's technology and innovation can create development in ASEAN countries. The ASEAN member nations are the least-developed and developing countries except Singapore, and they need their country's development. Unfortunately, however, they lack the technological know-how and capital required for infrastructure projects.<sup>19</sup> Therefore, their cooperation with China for developing their infrastructure through Chinese export of technology and innovation is absolutely needed. It has been strengthened by adopting "ASEAN-China Strategic Partnership Vision 2030". The vision paves the way for China to apply its BRI policy with ASEAN. The vision states that

*"Strategic partnership with mutually-beneficial cooperation on ASEAN integration and community-building, including through capacity building and resource mobilization, synergizing common priorities in the Master Plan on ASEAN Connectivity (MPAC) 2025 and China's Belt and Road Initiative (BRI), as part of efforts to synergize the various connectivity strategies in the region in a manner that would be mutually beneficial. ASEAN notes with appreciation China's announcement on '3+X Cooperation Framework' comprising the three pillars of political-security cooperation, economic cooperation, people-to-people exchanges, and supported by mutually agreed areas of cooperation"*

The interesting point from the vision above is that ASEAN-China leaders reaffirm cooperation for regional connectivity, closer security

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<sup>18</sup> Phouphet Kyophilavong *et al.*, "Impacts of trade liberalization with China and Chinese FDI on Laos: evidence from the CGE model," *Journal of Chinese Economic and Business Studies* 15, no. 3 (2017/07/03 2017), <https://doi.org/10.1080/14765284.2017.1346923>, <https://doi.org/10.1080/14765284.2017.1346923>.

<sup>19</sup> Olga Daksueva and Serafettin Yilmaz, "The AIIB and China-ASEAN Relations: Shaping a New North-South Paradigm," *China Quarterly of International Strategic Studies* 04, no. 01 (2018), <https://doi.org/10.1142/s2377740018500021>, <https://www.worldscientific.com/doi/abs/10.1142/S2377740018500021>.

cooperation, economic cooperation, and people-to-people exchange.<sup>20</sup> It is expected that the ASEAN policy on connectivity under ASEAN Blueprint 2025 will be under close cooperation with China's BRI policy.

Not only does China connect with ASEAN in South East Asia, but China also participates with Central and South Asia. Xinjiang, China, connects with Central Asia Regional Economic Cooperation (CAREC), including Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, and Tajikistan. According to the CAREC Institute, the China-CAREC corridors will connect the regional economic hubs and network some landlocked CAREC countries to other Eurasian and global markets. The strategic frameworks for the CAREC Transport infrastructure set out phases of priority investments in transport infrastructure along the CAREC corridors.<sup>21</sup> The cooperation on CAREC connectivity also facilitates trade and investment flow with Mongolia and the Russian Federation. As the crucial member of CAREC since 1997, China has been the main driver for connectivity in Eurasia's vast landlocked interior. The CAREC Transport infrastructure, which connects China, Central Asia, and Europe Landbridge, significantly reduces costs for logistics and trades across the region. An example is that China Petroleum Corporation (Sinopec Corp.) invested around US\$5 billion million for a stake in an oil and gas field in Kazakhstan and Kyrgyz. While China's investments in Kazakhstan and Kyrgyz are to satisfy China's demand for oil and gas, the investments also contributed to improvements in the economic condition in those countries. The China-CAREC corridors by the transport connectivity will enable CAREC countries to trade all commodities within and outside the CAREC region.

Furthermore, China cooperates with countries in South Asia to reaffirm maritime connectivity and enable country development. China increases its engagement with the South Asian Association for Regional Cooperation (SAARC) and promotes cooperative growth strategy in South Asia countries- Afghanistan, Bangladesh, India, Pakistan, Nepal, Sri Lanka, Bhutan, and Maldives.<sup>22</sup> China's assistance funds have financed various land and sea infrastructure projects in South Asia. An example is the China-

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<sup>20</sup> ASEAN, "ASEAN-China Strategic Partnership Vision 2030," (2020). <https://asean.org/asean-china-strategic-partnership-vision-2030/>. (Accessed February 03, 2023)

<sup>21</sup> CAREC, "Connecting CAREC: A Corridor Network," (2020). [https://www.carecprogram.org/?page\\_id=20](https://www.carecprogram.org/?page_id=20). (Accessed February 03, 2023)

<sup>22</sup> Jagannath P. Panda, "China in SAARC: Evaluating the PRC's Institutional Engagement and Regional Designs," *China Report* 46, no. 3 (2010), <https://doi.org/10.1177/000944551104600310>, <https://journals.sagepub.com/doi/abs/10.1177/000944551104600310>.

Pakistan Gwadar deep seaport of international standards is a vital maritime project with investments of \$248 million, of which \$198 million was provided by the Chinese government.<sup>23</sup> The Gwadar seaport is located on the strategic maritime point of Pakistan. With the port, China also has invested \$200 million for laying down a coastal highway connecting the Gwadar seaport to the capital city of Karachi.<sup>24</sup> It is expected that in future, the Gwadar Port can link western Chinese province, Xinjiang, to the Indian Ocean over oil and gas pipelines and connecting land transports of highways and high-speed railways.<sup>25</sup> In addition, in 2017, China signed an agreement with Sri Lanka on the project of the Hambantota seaport. The Hambantota seaport was established under a joint venture entity between China Merchants Port Holdings (CHPH) and the Sri Lanka government. The China Merchants Port Holdings paid the first phase of US\$292 million in exchange for a 99-year land lease to CHPH.<sup>26</sup> The Hambantota seaport incurs USD 5 billion by the Chinese investors in the proposed 15,000-acre industrial zone to set up Chinese factories. The investment in the industrial zone aims to create more business activities for the port and facilitate development in Sri Lanka.<sup>27</sup> China also increased its investment agreements with various countries, facilitating the investment flow under BRI policy. (See table 1)

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<sup>23</sup> Zhigao Liu, Set Schindler, and Weidong Liu, "Demystifying Chinese overseas investment in infrastructure: Port development, the Belt and Road Initiative and regional development," *Journal of Transport Geography* 87 (2020/07/01/ 2020), <https://doi.org/https://doi.org/10.1016/j.jtrangeo.2020.102812>, <http://www.sciencedirect.com/science/article/pii/S0966692319307112>.

<sup>24</sup> Naresh Chand, "China's Maritime Strategy for South Asia," (2014). <http://www.sps-navalforces.com/story/?id=332>.

<sup>25</sup> Yen-Chiang Chang and Idris Khan Mehran, "China–Pakistan economic corridor and maritime security collaboration: A growing bilateral interests," *Maritime Business Review* 4, no. 2 (2019), <https://doi.org/10.1108/MABR-01-2019-0004>, <https://doi.org/10.1108/MABR-01-2019-0004>.

<sup>26</sup> Reuters, "Sri Lanka hands port formally to Chinese firm, receives \$292 mln," (Reuters, 2017). <https://www.reuters.com/article/sri-lanka-china-ports/sri-lanka-hands-port-formally-to-chinese-firm-receives-292-mln-idUSL3N1O908U>. (Accessed February 03, 2023)

<sup>27</sup> Anjelina Patrick, *China - Sri Lanka Strategic Hambantota Port Deal* National Maritime Foundation (2017), <https://www.maritimeindia.org/View%20Profile/636276610966827339.pdf>. (Accessed February 03, 2023)

**Table 1**  
China's Increase of Bilateral Agreements

No.	Short title	Status	Parties	Date of signature	Date of entry into force
1	China - Turkey BIT (2015)	In force	Turkey	29/07/2015	11/11/2020
2	China - United Republic of Tanzania BIT (2013)	In force	Tanzania, United Republic of	24/03/2013	17/04/2014
3	Canada - China BIT (2012)	In force	Canada	09/09/2012	01/10/2014
4	China - Congo, Democratic Republic of the BIT (2011)	Signed (not in force)	Congo, Democratic Republic of the	11/08/2011	
5	China - Uzbekistan BIT (2011)	In force	Uzbekistan	19/04/2011	01/09/2011
6	China - Libya BIT (2010)	Signed (not in force)	Libya	04/08/2010	
7	Chad - China BIT (2010)	Signed (not in force)	Chad	26/04/2010	
8	Bahamas - China BIT (2009)	Signed (not in force)	Bahamas	04/09/2009	
9	China - Malta BIT (2009)	In force	Malta	22/02/2009	01/04/2009
10	China - Mali BIT (2009)	In force	Mali	12/02/2009	16/07/2009
11	China - Switzerland BIT (2009)	In force	Switzerland	27/01/2009	13/04/2010
12	China - Colombia BIT (2008)	In force	Colombia	22/11/2008	02/07/2013
13	China - Mexico BIT (2008)	In force	Mexico	11/07/2008	06/06/2009
14	China - France BIT (2007)	In force	France	26/11/2007	20/08/2010
15	China - Costa Rica BIT (2007)	In force	Costa Rica	24/10/2007	20/10/2016
16	China - Korea, Republic of BIT (2007)	In force	Korea, Republic of	07/09/2007	01/12/2007
17	China - Seychelles BIT (2007)	Signed (not in force)	Seychelles	10/02/2007	
18	China - India BIT (2006)	Terminated	India	21/11/2006	01/08/2007
19	China - Russian Federation BIT (2006)	In force	Russian Federation	09/11/2006	01/05/2009
20	China - Vanuatu BIT (2006)	Signed (not in force)	Vanuatu	07/04/2006	
21	China - Portugal BIT (2005)	In force	Portugal	09/12/2005	26/07/2008
22	China - Czech Republic BIT (2005)	In force	Czechia	08/12/2005	01/09/2006
23	China - Madagascar BIT (2005)	In force	Madagascar	21/11/2005	01/07/2007

Source: UNCTAD, 2022, International Investment Agreements Navigator.

While there is concern over sovereignty and debt-ridden issues<sup>28</sup>, the Sri Lanka government expects the project to boost the country because the port can connect Sri Lanka with the global supply chain. Compared with the past issue, the project of the Hambantota seaport is not different from the project of Hong Kong under the control of the British empire. What can be seen from China's BRI in South Asia is the establishment of development projects that expect to lead the way for country development in South Asia. Although there is vital concern over China's influence, it is undeniable that China's investment is crucial assistance to country development. The positive expectation is that China's involvement in South Asia can bring the open-door policy for the Maritime Silk Road Initiative (MSRI) for global trade and investment.<sup>29</sup> However, as the ordinary course of business and investment, not all projects under China's BRI have been economically successful for the host county.<sup>30</sup> China investments tend to be international assistance or foreign aid to countries in South Asia.<sup>31</sup> If China's investments only concern profits, by paying attention to inhibitive risk and costs attached to trade and investment, there will not be such investments in countries in South Asia.<sup>32</sup>

What can be seen from this part of the article is that China has assimilated itself with the BRI policy and accessed through trade and investment cooperation with Asian developing countries for needs of foreign investments. There is concern over Chinese influence, but practically, Asian developing countries tend to accept Chinese cooperation and investment. It is undeniable that China will be a vital leader in investment and trade in Asia, especially in mega infrastructure projects on which Asian developing countries have to previously rely on financial

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<sup>28</sup> Ashok K. Behuria, "How Sri Lanka Walked into a Debt Trap, and the Way Out," *Strategic Analysis* 42, no. 2 (2018), <https://doi.org/10.1080/09700161.2018.1439327>, <https://doi.org/10.1080/09700161.2018.1439327>; Maria Adele Carrai, "China's Malleable Sovereignty along the Belt and Road Initiative: The Case of the 99-Year Chinese Lease of Hambantota Port Around the World on One Belt, One Road: Foreign Capital Competition, Human Rights, and Development in the Twenty-First Century," *New York University Journal of International Law and Politic* Summer, no. 4 (2019).

<sup>29</sup> Xinmin Sui, "China's Strategy Towards South Asia in the Context of the Maritime Silk Road Initiative" in *China's Maritime Silk Road Initiative and South Asia*, ed. Jean-Marc F. Blanchard (Palgrave, Singapore, 2018).

<sup>30</sup> Nicholas Andrew Assef, "China's Belt & Road Sri Lankan Projects - White Elephants or Strategic Dormant Assets?," *SSRN Electronic Journal* (2018), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3182351](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3182351).

<sup>31</sup> Lauren A. Johnston, "The Belt and Road Initiative: What is in it for China?," *Asia & the Pacific Policy Studies* 6, no. 1 (2019), <https://doi.org/https://doi.org/10.1002/app5.265>, <https://onlinelibrary.wiley.com/doi/abs/10.1002/app5.265>.

<sup>32</sup> Johnston, "The Belt and Road Initiative: What is in it for China?."

support or development aid from western countries during 1960-2000. The rising of Chinese trade and investment for mutual cooperation in Asia would reshape the international landscape of the global political economy.

#### IV. Indo-Pacific Cooperation

The word “Indo-Pacific” represents the connection between two regions of the Indian Ocean and the Pacific Ocean. The Indo-Pacific is meant to build up maritime strategic cooperation among countries in the India and Pacific Oceans and stimulate international linkages among the United States, EU, and Asia. The Indo-Pacific cooperation is not a new concept but has been discussed as a maritime strategy to interact with China regarding a possible new Cold War.<sup>33</sup> In recent years, the Quad countries, including US., India, Japan, and Australia, have established their cooperative dialogues of the Indo-Pacific partnerships. The Quad established various meetings, military training, and a measure of policy coordination for infrastructure development and regional security.<sup>34</sup> Japan foreign policy in 2017 pronounced the policy of “Free and Open Indo-Pacific Strategy”, a robust international approach with India.<sup>35</sup> Under the Japanese international policy, the Indo-Pacific Strategy is the counter international affairs to China’s Belt and Road Initiative (BRI).<sup>36</sup> In other words, the revival of Indo-Pacific cooperation is the initiative of countries aiming not to be under China’s BRI. According to Pan, “*the ‘Indo-Pacific’ is not an innocent or neutral description, but is a manufactured super-region designed to hedge against a perceived Sino-centric regional order. In doing so, it is complicit in the production of great-power rivalries and regional security dilemmas.*”<sup>37</sup>

<sup>33</sup> Dingding Chen, “The Indo-Pacific Strategy: A Background Analysis,” (2018). <https://www.ispionline.it/it/publicazione/indo-pacific-strategy-background-analysis-20714>. (Accessed February 3, 2023)

<sup>34</sup> Le Trung Kien, “The Indo-Pacific Regional Architecture: the Quad, Inclusivity and ASEAN Centrality,” (2020). <https://asialink.unimelb.edu.au/insights/the-indo-pacific-regional-architecture-the-quad-inclusivity-and-asean-centrality>. (Accessed February 3, 2023)

<sup>35</sup> Shahana Thankachan, “Japan’s “Free and Open Indo-Pacific Strategy“: Reality before the Rhetoric?,” *Maritime Affairs: Journal of the National Maritime Foundation of India* 13, no. 2 (2017/07/03 2017), <https://doi.org/10.1080/09733159.2017.1414831>, <https://doi.org/10.1080/09733159.2017.1414831>.

<sup>36</sup> Thankachan, “Japan’s “Free and Open Indo-Pacific Strategy“: Reality before the Rhetoric?.”

<sup>37</sup> Chengxin Pan, “The ‘Indo-Pacific’ and geopolitical anxieties about China’s rise in the Asian regional order,” *Australian Journal of International Affairs* 68, no. 4 (2014/08/08 2014), <https://doi.org/10.1080/10357718.2014.884054>, <https://doi.org/10.1080/10357718.2014.884054>.

The Indo-Pacific Strategy can be considered the international initiative for balancing China's economic and security power. The US, based on its report on vision on Indo-Pacific, aims to facilitate the international cooperation toward 1) respect for sovereignty and independence of all nations; 2) peaceful resolution of disputes; 3) free, fair, and reciprocal trade based on open investment, transparent agreements, and connectivity; and 4) adherence to international rules of laws.<sup>38</sup> The US aims to increase the scope of work with alliances from India, ASEAN, the Pacific Island countries, and India to address shared challenges and advance a shared vision.<sup>39</sup> However, the Quad countries' aim of utilizing Indo-Pacific cooperation is different from the approach of Southeast Asia's Indo-Pacific strategies. The reality remains that Indonesia and other ASEAN countries have taken a different approach to the Indo-Pacific. ASEAN countries cooperate with some aspects of the Indo-Pacific strategies but accept the assistance and investment from China's BRI.<sup>40</sup>

Under the rise of China's BRI and the initiation of the Indo-Pacific Strategy, countries may have to take a side or balance the global power. With consideration to the EU, it seems that the EU feels more comfortable being the partner of the Indo-Pacific Strategy. The Quad countries are considered as the strategic partners of the EU. The EU is concerned with China's rising power and the China BRI on trade and investments in all global economies. While there is a slightly different definition of Indo-Pacific, leading countries in the EU pay more attention to the international cooperation under the Indo-Pacific strategy rather than China's BRI. An example is the international policies from France and Germany. The report on the Indo-Pacific region: a priority for France states that the French government will adhere to Indo-Pacific cooperation by;

- Strong involvement from France in settling regional crises, the safety of the main shipping routes, and the fight against terrorism, radicalization, and organized crime.
- Strengthening and increasing our strategic and global partnerships in the Indo-Pacific region via the European Union and strategic partners such as Australia, India, Indonesia, Japan, Singapore and South Korea.

<sup>38</sup> US Government, "A Free and Open Indo-Pacific: Advancing a Shared Vision," (2019). <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

<sup>39</sup> US Government, "A Free and Open Indo-Pacific: Advancing a Shared Vision." (Accessed February 3, 2023)

<sup>40</sup> William Choong, "The return of the Indo-Pacific strategy: an assessment," *Australian Journal of International Affairs* 73, no. 5 (2019/09/03 2019), <https://doi.org/10.1080/10357718.2019.1639134>.



- Increase the role of regional organizations to contribute to the development of multilateralism.
- Promotion of infrastructure development in a region undergoing rapid demographic, social and urban transition under the EU-Asia Connectivity Strategy.<sup>41</sup>

The French government also pronounced that it would deepen its cooperation in Indo-Pacific with an alliance from the EU's partners. The French focuses its involvement in the Indo-Pacific to act as a mediating power with the diplomatic, military, cultural, educational influences. In the same manner, the German government pronounce that the changing geopolitical powers and structures in the Indo-Pacific directly impact Germany. The German government will involve in helping shape the Indo-Pacific order regarding rules and international cooperation, not on the law of the strong country. German government states in its Indo-Pacific guidelines that the German government, together with Europe, are to work on Indo-Pacific cooperation with the aspects of;

- *“Strengthening multilateralism.*
- *Tackling climate change and protecting the environment*
- *Strengthening peace, security and stability*
- *Promoting human rights and the rule of law*
- *Strengthening rules-based, fair and sustainable free trade*
- *Rules-based networking and the digital transformation of regions and markets*
- *Bringing people together through culture, education and science”*<sup>42</sup>

The initiative from France and Germany to involve and reshape the Indo-Pacific cooperation can be considered the aim of hedge against China's rising power by BRI. Both German and French positions into the Indo-Pacific Cooperation tend to assimilate themselves under the European cooperation to balance international power with China rising power.<sup>43</sup> While there is a divergence of approach within the EU member on the

<sup>41</sup> French Ministry of Foreign Affairs, “The Indo-Pacific region: a priority for France,” (2019). <https://www.diplomatie.gouv.fr/en/country-files/asia-and-oceania/the-indo-pacific-region-a-priority-for-france/>.

<sup>42</sup> German Government, *Policy guidelines for the Indo-Pacific- Germany- Europe- Asia: Shaping the 21st century together*, German Federal Government (2020), <https://rangun.diplo.de/mm-en/themen/politik/-/2380764?openAccordionId=item-2392314-0-panel>. (Accessed February 3, 2023)

<sup>43</sup> Institut Montaigne, “Franco-German Divergences in the Indo-Pacific: The Risk of Strategic Dilution,” (2020). <https://www.institutmontaigne.org/en/blog/franco-german-divergences-indo-pacific-risk-strategic-dilution>. (Accessed February 3, 2023)

Indo-Pacific, the EU position under German and French leading roles is to encourage trade and investment in Indo-Pacific states to deal with China's BRI policy.<sup>44</sup> The EU and its alliances revive the Indo-Pacific cooperation to ensure that China does not make its way toward becoming a leader in global trade and investment cooperation. The part of the article then shows tension in international cooperation between China's BRI and the Indo-Pacific alliance. It highlights especially the Indo-Pacific alliance, which will not sit quietly as well as do not have intention to wait and see China's rising role in global cooperation.

## V. EU-Asia trade and investment cooperation

Apart from the ideas on EU and Indo-Pacific Cooperation, it is essential to note that the EU has long been an assistance provider for Asia development. The EU pays attention to the cooperation with Asia on trade and investment with concern over rules of laws and societal developments. EU Commission states that the EU cooperation with Asia is “*focused on spreading know-how and informing policies in various areas, including the environment, energy, climate change, the green economy, and higher education. Assistance to people on the move affected by natural disasters or conflict is another main area of our support*”.<sup>45</sup> The EU also resorts to The Asia-Europe Meeting (ASEM) for informal conversations to nurture cooperation between EU countries, Switzerland, Russia, and Asian countries.

Like the China BRI, the EU provides Asia countries with capital-intensive projects that promote sustainable, socially inclusive development. According to the EU Commission report on Asia and the Pacific region, the European Investment Bank has provided billions of euros to support poverty reduction and infrastructure developments in Asia.<sup>46</sup> The strategic assistance plan of the EU's Regional Indicative Programme for Asia 2014–2020 has delivered support loans from European nationals and multilateral development finance institutions to

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<sup>44</sup> Garima Mohan, “A European Strategy for the Indo-Pacific,” *The Washington Quarterly* 43, no. 4 (2020/10/01 2020), <https://doi.org/10.1080/0163660X.2020.1850447>, <https://doi.org/10.1080/0163660X.2020.1850447>.

<sup>45</sup> “International Partnership-Asia,” EU Commission, 2020, [https://ec.europa.eu/international-partnerships/where-we-work/asia\\_en](https://ec.europa.eu/international-partnerships/where-we-work/asia_en). (Accessed April 9, 2022)

<sup>46</sup> EU Commission, *2015 Operational Report on IFCA, AIF, IFP*, EU Commission (2015), [https://ec.europa.eu/international-partnerships/system/files/ifca-aif-ifp-report2015\\_en.pdf](https://ec.europa.eu/international-partnerships/system/files/ifca-aif-ifp-report2015_en.pdf). (Accessed February 3, 2023)

Asia countries. The financial support contributed to infrastructure projects that may otherwise be postponed due to a lack of financial resources.<sup>47</sup> The map of EU trade and investments for funding Asia development is presented below. (See figure 2)

The EIB under the EU initiative for assisting Asia provided long-term investment projects for over 25 years.<sup>48</sup> The EIB provides funding for infrastructure projects brings experience and expert personnel to help develop and accomplish projects. The EU also establishes cooperation to ensure the progress of negotiation on Free trade agreement (FTA) with Asia countries. The FTAs are expected to increase trade flow and investments between EU and Asia countries. However, the EU's position with the FTAs or investment cooperation for Asia countries comes typically with a political cooperation agreement that links core EU values with certain political and human rights circumstances. Any abuses of the rights in Asia countries may trigger a suspension of trade preferences from the EU.<sup>49</sup> An example of EU assistance to Asia countries is the EU assistance program to Myanmar and Cambodia. During 2007-2020, €1,032.5 million have been allocated to Myanmar development programs.<sup>50</sup> The strategic objectives of the EU assistance to Myanmar 1) support peace and national reconciliation, 2) assist in building a functioning democracy, 3) foster development and trade, and 4) support the re-integration of Myanmar into the international community.<sup>51</sup> The EU provides its assistance and funding to Myanmar to ensure developments in society, politics, economy, and laws. Likewise, the EU's assistance to Cambodia during the 2014-2020 period is approximately €500 million, which are programs on development of civil society organizations and the private sector. The EU assistance to Cambodia is purported to create poverty reduction, equitable and sustainable growth, and enhance good governance, democracy, and the rule of law.<sup>52</sup>

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<sup>47</sup> EU Commission, *2015 Operational Report on IFCA, AIF, IFP*.

<sup>48</sup> European Investment Bank, *THE EIB In Asia and Pacific*, European Investment Bank (2019), <https://www.eib.org/en/publications/eib-financing-in-asia>. (Accessed February 3, 2023)

<sup>49</sup> Maria Garcia and Annick Masselot, "EU-Asia Free Trade Agreements as tools for social norm/legislation transfer," *Asia Europe Journal* 13, no. 3 (2015/09/01 2015), <https://doi.org/10.1007/s10308-015-0423-0>, <https://doi.org/10.1007/s10308-015-0423-0>.

<sup>50</sup> European Court of Auditors, *EU Assistance to Myanmar/Burma*, European Court of Auditors (2018), <https://op.europa.eu/webpub/eca/special-reports/myanmar-4-2018/en/>. (Accessed February 3, 2023)

<sup>51</sup> European Court of Auditors, *EU Assistance to Myanmar/Burma*.

<sup>52</sup> EU Commission, *International Partnerships- Cambodia* (2020), [https://ec.europa.eu/international-partnerships/where-we-work/cambodia\\_en](https://ec.europa.eu/international-partnerships/where-we-work/cambodia_en). (Accessed February 3, 2023)



**Figure 2**

European Investment Bank's Lending in Asia

Source: European Investment Bank Investment Bank, *THE EIB In Asia and Pacific*, European Investment Bank (2019).

In South Asia, the EU encourages regional integration and supports the South Asian Association for Regional Cooperation (SAARC). EU aided South Asia, covering financial and technical aid and economic cooperation. The EU's assistance to countries in South Asia includes social, economic, legal, and political developments.<sup>53</sup> The EU's Generalised Scheme of

<sup>53</sup> Jorge Soutullo and Walter Masur, *Fact Sheets on the European Union- South Asia*, European Parliament (2020).

Preferences (GSP) is established to ensure that countries in South Asia can have favourable trade support from the EU. Also, the EU set incentive-payments programs to encourage reforms in India, Pakistan, Afghanistan, Pakistan, Bangladesh, Sri Lanka, Maldives, Nepal, Bhutan, and the Maldives. During 2014-2020, approximately EUR 3 billion has been granted from the EU to assist those countries in South Asia.<sup>54</sup>

In addition, the EU focuses its policy on cooperation, trades and investments with Central Asia. EU remarkably notes concerns over Central Asia in aspects of; authoritarian rule; severe human rights abuse; the lack of independent media; and the lack of independent judiciary.<sup>55</sup> However, the EU still maintains their cooperation to increase trade and investment in Central Asia. The cooperation aims at countries' development in Central Asia regions. During 2014-2020, the EU injected funds of EUR 1,028 million to Central Asia countries.<sup>56</sup> The funds related to bilateral and regional assistance on education, regional security, sustainable management of natural resources and socio-economic development. In 2015, the EU signed the Enhanced Partnership and Cooperation Agreement (EPCA) with Kazakhstan. The EPCA aims at creating an effective regulatory environment for businesses.<sup>57</sup> The EU also builds its cooperation with Tajikistan to facilitate trade and investment for sustainable development in Tajikistan. The EU-Tajikistan Partnership and Cooperation Agreement (PCA) was signed in 2004 and entered into force in 2010. The EU-Tajikistan agreed on assistance programs, for example, poverty reduction, employment opportunities, health care enhancement, human development, economy and infrastructure development.<sup>58</sup> Similarly, the EU engaged with Kyrgyzstan and Uzbekistan on the projects of water management, livestock, infrastructure development, professional education, financial enhancement and other public and private partners for investments.<sup>59</sup> The map of the overall EU's funding for development in Central Asia is present below. (See figure 3)

<sup>54</sup> Soutullo and Masur, *Fact Sheets on the European Union- South Asia*.

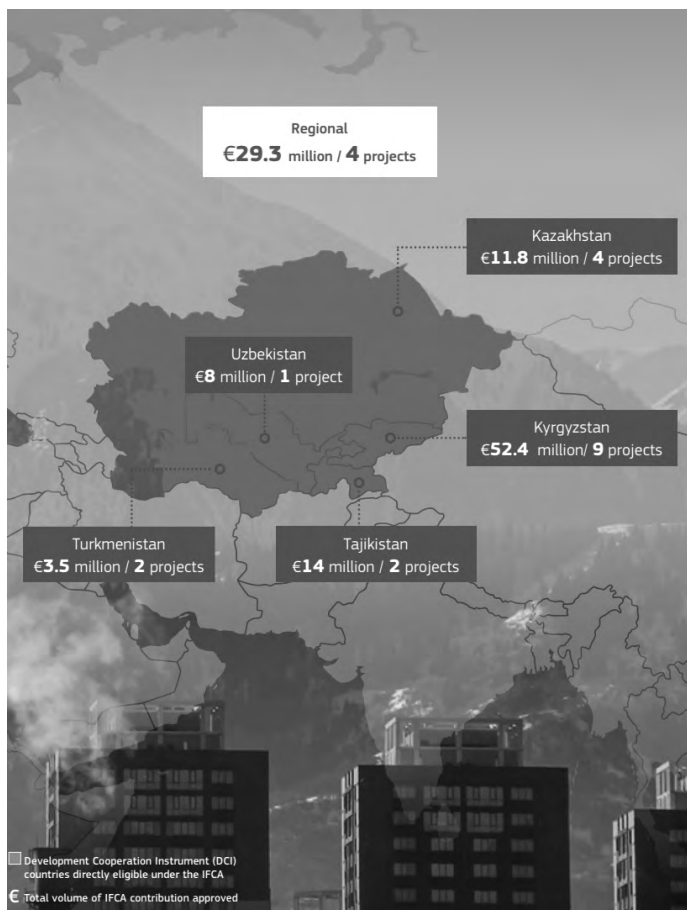
<sup>55</sup> Jorge Soutullo, Stefania Gazzina, and Niccolò Rinaldi, *Central Asia*, European Parliament (2020), <https://www.europarl.europa.eu/factsheets/en/sheet/178/central-asia>. (Accessed February 3, 2023)

<sup>56</sup> Kien, "The Indo-Pacific Regional Architecture: the Quad, Inclusivity and ASEAN Centrality."

<sup>57</sup> EU Commission, "Kazakhstan," (2020). <https://ec.europa.eu/trade/policy/countries-and-regions/countries/kazakhstan/>. (Accessed February 3, 2023)

<sup>58</sup> EU Commission, "Tajikistan," (2020). [https://ec.europa.eu/international-partnerships/where-we-work/tajikistan\\_en](https://ec.europa.eu/international-partnerships/where-we-work/tajikistan_en).

<sup>59</sup> EU Commission, "Uzbekistan," (2020). [https://ec.europa.eu/international-partnerships/where-we-work/uzbekistan\\_en](https://ec.europa.eu/international-partnerships/where-we-work/uzbekistan_en); EU Commission, "Kyrgyzstan," (2020). [https://ec.europa.eu/international-partnerships/where-we-work/kyrgyzstan\\_en](https://ec.europa.eu/international-partnerships/where-we-work/kyrgyzstan_en). (Accessed February 3, 2023)



**Figure 3**

### EU IFCA investment Facility to Central Asia 2015

*Source:* EU Commission, 2015 Operational Report on IFCA, AIF, IFP, EU Commission (2015).

What can be seen from the EU assistance on trade and investment in Asia is that the EU also aims to ensure their global roles on trade and investments. Similar to China, though the detail of works and requirements are different, the EU has established their influential role as a helper to Asia. The presented aims of the aid and funding from the EU are that Asia countries will be able to progress country development. Asia countries with

assistance from the EU in the long term are expected to reach their sustainable development goals with their social, political, and economic enhancement.

However, the EU assistance to Asia can be considered as trade diplomacy to Asia to signify the international role of the EU. In other words, it can be regarded as that EU is increasingly positioning itself as an actor in Asia by playing as a positive contribution to stabilizing interdependence in Asia regions.<sup>60</sup> While helping Asia countries, the EU tends to direct their concern on political, social and human rights issues to those receiving countries. This is seen as the EU model for development to Asia countries with set standards and assistance requirements. EU has its clear view that it will help countries in Asia, but the countries should reach the targets of democratized governance, equitable society, and human rights enhancement.

This part of the paper points out that the EU has vital positions in trade and investment cooperation in Asian countries. Regarding the Indo-Pacific cooperation, the EU has ensured that it can cooperate on trade and investment with Asia and at the same time collaborate with China's BRI. Nevertheless, the EU's trade and investment policy seems to come along with the standardization of democratized governance, equitable society, and human rights enhancement that can strengthen democracy particularly in Asian developing countries. The EU standard for international trade and cooperation may not fit to Asia's preferences that could lead to the point that Asian countries aim to choose cooperation with China's BRI for their own development.

## VI. Challenges issues on EU-China-Asia

From the above parts of the article, China and the EU are essential helpers for Asia. China, with its BRI ambition flows a considerable amount of funding to Asia to improve infrastructure, trade, and investment projects. The China BRI facilitates the global trade and investments that China is the centre of trade and investments. EU also conveys its funding and assistance to Asia with the aim to ensure the country is on track with progressives of an equitable society. Both China and the EU have become the main international assistance to Asia. However, within their international

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<sup>60</sup> Maaïke Okano-Heijmans, "Trade Diplomacy in EU-Asia Relations: Time for a Rethink," (2014). [https://www.clingendael.org/sites/default/files/pdfs/Trade%20Diplomacy%20in%20EU-Asia%20Relations%20-%20Clingendael%20Report%20\(Sept%202014\).pdf](https://www.clingendael.org/sites/default/files/pdfs/Trade%20Diplomacy%20in%20EU-Asia%20Relations%20-%20Clingendael%20Report%20(Sept%202014).pdf). (Accessed February 3, 2023)

cooperation policy to Asia, there are some challenging issues for China and the EU. The issues are 1) conflicting international policy between BRI and Indo-Pacific Cooperation, 2) different styles of assistance, and 3) similarity of objectives with concerns.

### 1. *Conflicting international policy between BRI and Indo-Pacific Cooperation*

The China BRI and EU's preference on Indo-pacific cooperation may lead to conflicting assistance for Asia. As discussed in the article, China uses BRI to facilitate global trade and investment. On the opposite side, the EU refrains from BRI and is at the east to attach with the Indo-Pacific Cooperation. EU seems to be part of the Quad countries in building Indo-Pacific for containment of China economic power. The EU's position may pose conflicting international cooperation with China in helping Asia countries. While China gears up toward BRI in creating development and investment projects in Asia. The EU prefers the Indo-pacific cooperation to ensure that China cannot become the leading player of international collaboration. The BRI significantly transforms China's international security policy by expanding Beijing's economic power conflicts with EU positions of international cooperation. In other words, China and the EU may have to be at the conflict of international diplomacy on BRI and Indo-Pacific.

EU involvement with Indo-Pacific cooperation is seen as the direct competition with the China BRI, undermining the Chinese economic presence in the Asia region. The conflict affects China's economic, military, and strategic interests and can contribute to Chinese countermeasures.<sup>61</sup> Similarly, the BRI with the geopolitical changes may lead the EU to counteract China's influence in Asia. The situation can be considered a potential new cold war tension and conflict at this stage. Although the degree of tension is less than in the past cold war, the degree of the conflict may amount to the trade war between China and the EU. The trade war may lead to the use of force. The hope is that the conflict cannot lead to a real regional or world war. A conflict between China and the EU, with Quad major powers, will be more catastrophic and far more destructive for the whole world.<sup>62</sup> In some perspectives, the EU may not directly jump into the Indo-Pacific strategy because the EU would

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<sup>61</sup> Wu Shicun and Jayanath Colombage, *Indo-Pacific Strategy and China's Response*, National Institute for South China Sea Studies (2019), <https://chinaus-icas.org/wp-content/uploads/2020/11/Indo-Pacific-Strategy-and-Chinas-Response-Report-FINAL.pdf>. (Accessed February 3, 2023)

<sup>62</sup> Shicun and Colombage, *Indo-Pacific Strategy and China's Response*.



prefer to stimulate the globalizing and multi-polarizing world.<sup>63</sup> However, it is essential to note that the EU shares policy interests with the U.S. concerning Chinese investment practices that contravene EU-US's norms.<sup>64</sup> In addition, EU and Quad countries have begun to cooperate on increasing investments with their sets of standards for quality of investment projects in the Indo-Pacific region.<sup>65</sup> The EU and Quad countries also strengthen maritime security, particularly in the Indian Ocean, where China increases its political, economic, and military influence.<sup>66</sup> Thus, it is a rising concern that the EU's supportive position to the Indo-Pacific cooperation can conflict with China's BRI.

## 2. *Different styles of assistance*

The EU and China differ in style, preference, and standard on trade and investment. The EU and China are important contributors to trade and investment projects for Asia, but both the EU and China have different approaches to assisting Asia countries. EU set high conditional standards to Asia countries. Most of the EU's funds to Asia countries come with conditions that the governments must attach with the promotion of sustainable development, labour conditions, democracy, the rule of law, human rights, and environmental protection. Countries across Asia thus face the EU standards of democracy, the rule of law, human rights, and environmental protection. Government states in Asia countries, for example, Thailand, Cambodia, Laos, Myanmar, Pakistan, Bangladesh, Turkmenistan, and Uzbekistan, do not have a fair democracy, the rule of law, and human rights. Governments in those countries receiving "conditional investments" have to be cautious whether they can accept the EU's set conditions.<sup>67</sup> In most cases, the conditions for reforms on political, social and legal systems affect the status quo of governments in Asia. This is why governments in Asia accept the EU's aids or fundings with concerns and refuse to accept them in some situations.

<sup>63</sup> Mercy A. Kuo, "What the EU Thinks of the US 'Indo-Pacific' Strategy : Insights from Bernt Berger." (2018). [http://viet-studies.net/kinhte/EUviewIndoPacific\\_Diplomat.pdf](http://viet-studies.net/kinhte/EUviewIndoPacific_Diplomat.pdf).

<sup>64</sup> Kuo, "What the EU Thinks of the US 'Indo-Pacific' Strategy : Insights from Bernt Berger."; Erik Brattberg and Philippe Le Corre, *The Case for Transatlantic Cooperation in the Indo-Pacific*, Carnegie Endowment for International Peace (2019), [https://carnegieendowment.org/files/WP\\_BrattbergLeCorre\\_FINAL1.pdf](https://carnegieendowment.org/files/WP_BrattbergLeCorre_FINAL1.pdf).

<sup>65</sup> Garima Mohan, *Europe in the Indo-Pacific: A Case for More Coordination with Quad Countries*, German Marshall Fund of the United States (2020), <http://www.jstor.org/stable/resrep21235>.

<sup>66</sup> Mohan, *Europe in the Indo-Pacific: A Case for More Coordination with Quad Countries*.

<sup>67</sup> Okano-Heijmans, "Trade Diplomacy in EU-Asia Relations: Time for a Rethink."

An example is that South East Asia countries- Cambodia, Myanmar, Laos, Vietnam, and Thailand (CLMVT) need funding to develop their infrastructures to create economic developments. The CLMVT may have to be cautious with the EU's conditions on funding and seek other sources of international help. In some regards, any political system changes, for example, from democracy to dictatorships or military junta, the EU will suspend its relationship with those countries. This means that EU cuts help countries in need of development due to the EU's political concerns.<sup>68</sup> The article does not present that the EU's conditions for funding or investment are incorrect, but the article displays that the EU's requirements may not serve the fundamental needs for the development of the countries. Cambodia and Laos, which face a lack of rule of law and human rights abuse, may really need help for tackling poverty and social problems. By having concerns about the EU's conditions, Cambodia and Laos may not receive the EU's international assistance.

The EU's style of conditionality on international assistance is different from China. China focuses on poverty reduction, trade facilitation, and infrastructure developments. Though it has some concern over governments and political systems in receiving countries, China does not focus on transforming political, social, and legal systems in those countries. China BRI pays attention to increasing trades and investments for economic efficiency. In implementing the BRI, China dislikes the EU does not ask for any reform on government, rules of laws or human rights protection. In providing international assistance, China concentrates its role as the helper for infrastructure, industrial and business development but pays less attention to political and social issues. According to the ideas of BRI, it is essential to develop economic factors to solve poverty in countries. China prioritizes infrastructure developments for poverty reduction before transforming the country's political system. China prefers to start work on trade and infrastructure developments in Asia. The works on trade and infrastructure then contribute to social and economic enhancement. China does not begin with the change in political systems or rules of law but pays more attention to physical infrastructure and business development that can ease poverty problems in Asia countries.

The EU's standard for loans and assistance may lead to an awkward situation for receiving countries. The EU aims to improve the country and set a high standard for loans and assistance. Least developed and

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<sup>68</sup> EU Commission, "Tajikistan.,"; EU Commission, "Uzbekistan.,"; EU Council, "Council conclusions on Thailand -Foreign Affairs Council meeting Luxembourg, 23 June 2014," news release, 2014, [https://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/143330.pdf](https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/143330.pdf). (Accessed February 3, 2023)

developing nations that need loans or assistance may not satisfy the EU's standards on the guarantee of rules of law and human rights protection. The least developed and developing countries thus rely on China's loans and assistance, which is less concerned about rules of law and human rights protection. In 2018, the author discussed why Cambodia chose loans and assistance from China rather than from other developed countries with Cambodian officials. The official replied that China provided Cambodia with the fastest and easiest loans and assistance. Cambodia is in need of development, and it cannot satisfy the set standards from developed countries such as the US, UK, Japan, and the EU. It does not mean that Cambodia does not receive any assistance from developed countries, but when it comes to urgent development projects, China can understand Cambodia's needs. As the diplomatic consideration, it is sure that all receiving countries are aware of China's influence, but the reason to accept the assistance from China is that the countries may not be able to reach standards and conditions from the EU or other developed countries.

It is vital to note that this article does not judge the EU's or China's styles of international assistance right or wrong. The paper argues that China's increasing international assistance and investments are due to the different approaches to cooperating with receiving countries. The EU's style may be right in setting necessary standards to create institutional and political reforms in receiving countries. China is also paying vital attention to dealing with poverty and infrastructure shortages in receiving countries. It is just the difference of approaches between the EU and China in cooperating and giving assistance to countries.

### *3. Similarity of objectives but with different security concerns*

Although there are different approaches for international trade and investment between the EU and China, both aim to help enhance the level of development in countries. The EU set objectives on trade and investments that alleviate poverty in Asia countries. EU established a policy of Everything But Arms (EBA) to provide preferential trade schemes for the 49 least developed countries. The EBA grants least developed countries duty- and quota-free access for almost all products, except arms and ammunition. The EBA is to help the least developed countries in Asia boost their business and industries to fight poverty problems.<sup>69</sup> In addition,

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<sup>69</sup> EU Commission, "Everything but Arms (EBA)," (2019). <https://trade.ec.europa.eu/access-to-markets/en/content/everything-arms-eba>. (Accessed February 3, 2023)

the EU's Generalised Scheme of Preferences (GSP) removes import tariffs from products coming into the EU. The GSP assists developing countries in improving poverty and creating jobs based on international values and principles, including labour and human rights.<sup>70</sup> Like the EU, China, in facilitating and investment to all Asia countries, aims to remove poverty issues and other difficulties for country development. China gave developing, and least developed countries access to its large international market. China also provides investments, know-how, and technology for development projects in various countries. China's assistance to countries is to make sure that those countries can deal with poverty and reach the upper level of country development.

Considering the EU and China's assistance to Asia countries, the concern on sovereignty and security weighs more to China's influence than EU influence. The concern is that China's trade and investments can lead to China's effective controls over countries, especially in Asia. However, there is less concern when the EU contribute assistance to Asia countries. The critical question is why China's rising powers from international assistance are more concerned than the EU or other developed countries' assistance. EU countries have ever colonized and exploited venerable countries in Asia; France colonized Vietnam and Laos, the British empire colonized India, Myanmar, and Hong Kong (China), Portugal colonized East Timor and Macau (China). The question is why the issue of EU countries' colonization in the past is not a current concern for Asia. In other words, the EU colonization is not different from China's rising influencing international powers. Again, this article does not judge right or wrong to any international influence from the EU or China. Instead, the article aims to articulate that the EU and China's assistance seems to be similar on objective to facilitate country development, but it is different on international influence from the EU and China.

This part of the paper provides different approaches to international cooperation between the EU and China. The differences pose a potential conflict in cooperating particularly with Asian developing countries. These may also pose an international conflict in Asian developing countries that rely on trade and cooperation between the EU and China. Therefore, it needs to harmonize the trade and investment policy between the EU and China. Additionally, the two parties need to avoid any kind of possible economic, military, and political tensions that has already caused the Cold

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<sup>70</sup> EU Commission, "Generalised Scheme of Preferences (GSP)," (2020). <https://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>. (Accessed February 3, 2023)

War, the Korea War, the China-India War, the Vietnam War, and the China-Vietnam War in the world and particularly in Asia.

## VII. Conclusion and policy implication

The article starts with a discussion on China and BRI policy that leads to China's influence in global trade and investments. The article articulates that China plays a vital role in international cooperation on trade and investment facilitation in Asia. China has significantly increased its trade, investment, and influence in Asia countries. The article also presents that against the China-BRI, the concept of Indo-Pacific cooperation is revived by the U.S., India, Japan, and Australia. The article also notes that there is a valid signal that the EU and EU members have their preference to maintain their international position with the frameworks of Indo-Pacific cooperation. The article also presents that the EU, like China, relates their international diplomacy through trade and investments with Asia countries. Nevertheless, the article argues that there are challenging issues on trade and investments between China and the EU in Asia. The challenging issues are the conflicting diplomacy between China – BRI and EU— Indo-Pacific, the difference in approaches of assistance from China and EU to Asia, the similar objective of assistance but different concerns. There are parallel policies between China BRI and EU international policy.

The vital argument of the article is that while there are differences between China and the EU on trade and investment in Asia, it should be the coordination and cooperation between China and the EU in helping Asia countries. To enhance Asia countries, China and the EU should align their international policy to assist Asia in achieving sustainable and peaceful development. Therefore, the article at the conclusion proposes some policy implications of;

- ***Shared values on international assistance***; it will not be any positive results from any tensions between China and the EU, with Asia in the middle of the tension. Also, global development and prosperity do not come from conflicts, tensions, and wars. To reach the global developments, it requires understanding, cooperation, and a shared value of sustainable development. China and the EU should cooperate in helping Asia rather than playing bargaining and balancing power between them. Various Asia countries are the least developed and developing countries. They really need international assistance and prefer not to be the middle point of the

conflict between China and the EU. Shared values can be based on EU values of building up international cooperation within inclusion, tolerance, justice, solidarity and non-discrimination.<sup>71</sup> However, China and the EU may have to put greater effort to create shared values in lending assistance to Asia.

— ***International assistance with understanding Asia***; it is essential that the EU and China have a comprehensive understanding of the needs of Asia countries. The understanding can be built by the specific meeting among the EU, China, and other Asia countries. The specific forum should be on the international assistance to Asia countries. By the specific forum, the EU and China will discuss with Asia countries to gain a clearer understanding of Asia. It can be argued that there are various meetings between EU and Asia, China and Asia, or even EU, China, and Asia. However, the various meetings do not deal with a specific understanding of international assistance to Asia. The meetings also do not focus on shared understanding among the EU, China, and Asia. If the meeting can be established, it is recommended to set the goals of the meeting according to Seele, P., Jia, C.D. & Helbing, D, which are;

- “*co-thinking (to identify the challenges and prospects),*
- *co-working (to achieve synergy effects in distributed teams),*
- *co-learning (to adapt what worked in one place to another place),*
- *co-creation (to create added value, developed together across the BRI),*
- *combinatorial innovation (to combine existing solutions in new ways),*
- *co-ownership (of public infrastructures, goods, services and data, to promote fairness and prevent new kinds of colonialism),*
- *coordination (to harmonize local and global initiatives),*
- *co-operation (to overcome the limitations of a purely competitive economy and society),*
- *co-evolution (to mutually catalyze activities and reach sufficient coherence and integration), and*
- *collective intelligence (to enable the wisdom of crowds effect)”<sup>72</sup>*

<sup>71</sup> “The EU values,” 2021, <https://ec.europa.eu/component-library/eu/about/eu-values/> (Accessed April 11, 2022)

<sup>72</sup> Peter Seele, Christoph D. Jia, and Dirk Helbing, “The new silk road and its potential for sustainable development: how open digital participation could make BRI a role model for sustainable businesses and markets,” *Asian Journal of Sustainability and Social Responsibility* 4, no. 1 (2019/01/07 2019), <https://doi.org/10.1186/s41180-018-0021-3>, <https://doi.org/10.1186/s41180-018-0021-3>.

***Prioritized goals of assistance***; it is recommended that both the EU and China may have prioritized goals of assistance. The first and pivotal goal in assisting Asia countries is to solve poverty problems. China's experience of its country development suggests that basic industry and infrastructure investment are key drivers for economic growth and national development.<sup>73</sup> When providing assistance to Asia, China pays more attention to infrastructure and industries development. While the EU is in the position, from Asia's view, that before receiving assistance, Asia countries must maintain their democratic system, rules of law, and human right. The EU may not consider that the radical problems rotting the democratic system, rules of law, and human right is poverty. China's priority is to further on basic industry and infrastructure investments for dealing with poverty, and later after the poverty issue has been reduced, countries can lift their level of development. Thus, it is suggested that the EU may have to make sure that it can prioritize its assistance to tackle poverty before building up a democratic system, rules of law, and human rights. It is high hope that the EU and China can come hand in hand in prioritized assistance goals which serve real needs for the development of Asia countries. It will be best result for the EU, China and Asia if they can align their investment priority rather than only focus on their prioritized interests.

Overall, international institutions such as IMF and World Bank have already confirmed that international trade and investment have highly contributed to the global economic growth and development around the world. Therefore, Asian developing countries will also be benefited by the EU and China investment and trade if the two parties can harmonize their way of cooperation in Asia peacefully and constructive.

## About the authors

**Pornchai Wisuttisak** is Associate Professor, PhD., and Assistant to the President of Chiang Mai University, Thailand. He has worked with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Friedrich Naumann Foundation (FNF) on training courses for competition law and policy in Thailand, Myanmar, and Laos. He has been an advisor to a consultancy project with the Energy Regulatory Commission of Thailand. His research involved the development of policy and regulation on economic activities and expanded to Anti-competitive Behavior and

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<sup>73</sup> Cao Honghui and Gong Ting, "Building a shared vision for the Belt and Road Initiative and the Sustainable Development Goals" (2016 High Level Policy Forum on Global Governance "Belt and Road- New Path to Regional Development, UNDP, 2016).

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**Nisit Panthamit** is Associate Professor Ph.D. and Director of Center of ASEAN Studies linked to the Faculty of Economics at Chiang Mai University, Thailand. He has specialized in regional economic development and strategy particularly in the Mekong River region.

Professor **Sang Chul Park**, Ph.D. in Germany and Ph.D. in Sweden has served as professor and visiting professor in nine different Asian and European countries from 1993 to 2023. He was a member of the Presidential Committee of Southbound Policy in the Republic of Korea from 2018 to 2022. He has been the editor in chief of Asia Pacific Journal of EU Studies (APJEUS) since 2011 and a board member of various international journals in Asia and Europe. Currently, he is Professor at Graduate School of Knowledge-based Technology and Energy, Tech University of Korea, Korea.

## Sobre los autores

**Pornchai Wisuttisak** es Profesor Doctor Titular y asistente del Presidente de la Universidad Chiang Mai (Tailandia). Ha trabajado con instituciones como Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) y la Fundación Friedrich Naumann (FNF) en cursos de formación sobre derecho y política de competencia en Tailandia, Myanmar y Laos. Fue asesor en un proyecto con la Comisión Reguladora de la Energía en Tailandia. Su trabajo de investigación se centra en la política de desarrollo y la regulación de actividades económicas, así como en los criterios de comportamientos anticompetitivos, contando para ello con el apoyo de la Fundación Asia y el TCCT.

**Nisit Panthamit** es Profesor Doctor Titular y Director del Centro de Estudios ASEAN adscrito a la Facultad de Economía de la Universidad Chiang Mai (Tailandia). Se ha especializado en estrategia y desarrollo económico regional, en particular, en lo que se refiere a la región del Río Mekong.

**Sang Chul Park** es Profesor Catedrático. Doctorado en Alemania y Suecia, ha sido profesor visitante en nueve países diferentes de Asia y Europa entre 1993 y 2023. Fue miembro del Comité Presidencial de la Política Southbound en la República de Corea entre 2018 y 2022. Desde 2011, es el Director de la Revista Asia Pacífico de Estudios de la UE y miembro del consejo editorial de varias revistas internacionales de Asia y Europa. Actualmente, ejerce su actividad como Profesor Catedrático en la Facultad de Energía y Tecnología basada en el Conocimiento de la Universidad Tecnológica de Corea.